

December 27, 2011

VIA ELECTRONIC FILING

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 11-42 - Lifeline and Link Up Reform and Modernization
NOTICE OF EX PARTE PRESENTATION

Dear Ms. Dortch:

This letter is submitted on behalf of TracFone Wireless, Inc. (“TracFone”) in response to a letter dated December 12, 2011, filed in this proceeding by the Montana Telecommunications Association (“MTA”). In its letter, MTA, whose membership appears to be comprised of most, if not all, of Montana’s wireline local exchange carriers, professes concern about what it calls the “skyrocketing growth of the Lifeline program,” and expresses its support of efforts to eliminate waste, fraud and abuse “through initiatives aimed at eliminating duplicate support.” TracFone is a major provider of wireless Lifeline service offering its SafeLink Wireless[®] Lifeline service in most of the 38 states where it has been designated as an Eligible Telecommunications Carrier (“ETC”).

TracFone shares MTA’s desire to eliminate waste, fraud and abuse in the Lifeline program. For that reason, it has been at the forefront of efforts to prevent improper use of Universal Service Fund (“USF”) resources within the Lifeline program. Those efforts have included voluntary efforts such as requiring applicants for Lifeline benefits to provide date of birth and Social Security Number (last 4 digits) information so that customer identities can be verified, and implementing a 60 day non-usage policy. They have also included participation with Commission staff and other ETCs to develop and implement a process for de-enrolling customers enrolled in multiple Lifeline programs. They have also included advocating in this proceeding for the adoption of measures to prevent waste of USF resources including, for example, mandatory annual verification of all Lifeline customers’ continuing eligibility rather than limiting annual verification to limited samples of customers, and elimination of Link Up benefits for wireless ETCs that rarely impose customary charges for offsetting the costs of connections to telecommunications services at customers’ principal places of residence.

While sharing some of MTA’s goals, TracFone profoundly disagrees with MTA’s unsupported assertion that much of the Lifeline program’s growth is attributable to wireless ETCs, particularly prepaid wireless ETCs. There is no doubt that the entry into the Lifeline market segment by TracFone and other wireless ETCs has increased Lifeline enrollment and thereby increased Lifeline support. That growth has increased the percentage of qualified low-income consumers receiving Lifeline benefits from under 30 percent to somewhere between 30 and 50 percent today. Even with that growth, the federal Lifeline program is not reaching more than one-half of its intended recipients.

Particularly unfortunate is MTA's proposal to reduce Lifeline support from the USF to \$1 per month for prepaid wireless ETCs. Since most ETCs, including MTA members, currently receive approximately \$10.00 in Tier 1, Tier 2 and Tier 3 USF support (see 47 C.F.R. § 54.403), MTA's ill-advised proposal would reduce Lifeline support by 90 percent for certain ETCs. Of course, such a reduction in support levels would be blatantly unlawful. Nothing in Section 254 of the Communications Act or any other provision of the Act contemplates higher levels of USF support (and hence greater Lifeline benefits) for certain ETCs and their customers than for other ETCs and their customers. Moreover, the notion that certain ETCs would receive \$10 per month per enrolled Lifeline customer to distribute in the form of benefits while other ETCs would receive only \$1 to provide in Lifeline benefits would violate the all-important requirement of competitive neutrality (see, e.g., 47 U.S.C § 253).

It is doubtful whether any ETC -- wireline or wireless -- could provide meaningful Lifeline benefits with a USF support payment limited to \$1 per customer per month. Some new entrant ETCs, including TracFone, have been able to take the standard Lifeline support payment and use that amount to create alternative Lifeline offerings which increasing numbers of consumers perceive as having value. TracFone uses the \$10 it receives to provide Lifeline customers with several service options. The most popular plan provides customers with 250 minutes of wireless airtime per month, usable for all distance calling -- local, intrastate, interstate, and roaming. It also provides Lifeline customers with a suite of enhanced features which many ETCs, including MTA member companies, charge for separately, even for their Lifeline customers. Those features include caller ID, call waiting, and voice mail. In addition, TracFone provides its Lifeline customers with a wireless handset at no cost to the consumer. No portion of the handset cost is supported by the USF. So far as TracFone is aware, Lifeline customers of MTA member companies must acquire their own telephone equipment at their own expense with no assistance either from the USF or from MTA companies.

A reduction in the Lifeline support level from the current amount of approximately \$10 per month to \$1 per month would make it economically infeasible for TracFone or any other ETC to provide a Lifeline offering which benefits low-income consumers. The MTA proposal would do nothing other than force many innovative ETCs to exit the Lifeline marketplace, limit consumer choices, and drive down Lifeline participation to those sub-30 percent levels which existed prior to market entry by competing ETCs. It would do nothing to prevent duplicate enrollment other than to eliminate the availability of Lifeline options not offered by the incumbent wireline ETCs. No public interest benefits would result from that proposal. Accordingly, the MTA proposal to reduce Lifeline support for certain ETCs to \$1 should be summarily rejected by the Commission.

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Pursuant to Section 1.1206(b) of the Commission's rules, this letter is being filed electronically. If there are questions, please communicate directly with undersigned counsel for TracFone.

Sincerely,



Mitchell F. Brecher

cc: Ms. Sharon Gillett
Mr. Trent Harkrader
Ms. Kim Scardino
Mr. Johathan Lechter
Ms. Jamie Susskind